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Lowther, James W.

Local taxation

Westminster

1901

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Volume of pamphlets

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LOCAL TAXATION.

BY

The Right Hon. JAMES W. LOWTHER, M.P.

REPRINTED FROM THE

"PROCEEDINGS OF THE CENTRAL CHAMBER OF AGRICULTURE,"

VOL. I., NO. 3, APRIL, 1901.

PRICE SIXPENCE.

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BY THE RIGHT HON. JAMES W. LOWTHER, M.P.

*(Published on the recommendation of the Local Taxation Committee
of the Central Chamber of Agriculture.)*

We have the highest authority for saying that "the poor are always with us," and we know from the Statute Book that for the last 300 years the poor rate has been with us. After the dissolution of the monasteries in the reign of Henry VIII., the support of the poor, who up to that time had been relieved by monastic institutions, became a pressing question. Compulsion was gradually applied to the well-to-do by various Acts of Parliament. One of them—14 Eliz., cap. 5—enacted: "If any person or persons being able to further this charitable work will obstinately refuse to give towards the help and relief of the said poor people, or do wilfully discourage others from so charitable a deed," he was to be brought before the justices to shew cause, and to abide their order, and on default he might be committed to the next gaol. Subsequent Acts of Elizabeth's reign, in 1597 and 1601, finally established the compulsory principle, and enacted that assessments were to be made in every parish for the purpose of levying rates for the relief of its poor. Thus the parish came to be adopted as the rating area. In Jeffrey's case, decided in 1589, it was laid down that not alone the inhabitants of a parish but the occupiers of land in such parish were liable to pay the rates therein.

The celebrated Act of Elizabeth, passed in 1601, known as 43 Eliz., cap. 2, did not lay down any principles for the guidance of the overseers in making their assessments or collecting their rates. It merely directed that occupiers of certain properties and inhabitants were to be taxed. This has always been interpreted to mean upon the basis of the annual benefit arising from the property situated in the parish, but questions very soon arose as to the principle upon which the assessments were to be made. Was the whole income, derived from all or any sources, to be considered in assessing a man's worth? Were the calls upon him and the number of his family to be taken into account, and a reduction made for quantity?

¹ A Paper read before the Cumberland and Westmorland Chamber of Agriculture on February 9th, 1901.

Questions were asked of the judges, cases were brought into Court, text-books differed, but finally the Courts decided that non-residents could not be rated in respect of personal property in the parish; that the property to be assessed must be local, visible, and productive; that it consisted only of the surplus left after deducting debts; and that it must be rated according to the profit produced. In other words, and speaking generally, personal property except stock-in-trade was not to be assessed. The practice of rating stock-in-trade does not appear to have been either universal or continuous, although the Courts repeatedly held that stock-in-trade was rateable. In 1840 an Act was passed exempting for a year inhabitants of parishes from being rated for the relief of the poor in respect of their stock-in-trade or other personal property. This Act would have expired on December 31st, 1841, but it has been kept alive, and is still kept alive, every year by the Expiring Laws Continuance Act. If the Act of 1840 were to be struck out of the Expiring Laws Continuance Act, the effect would be to at once render all profits on stock-in-trade or any other property liable to be assessed for the poor rate.

I have described how the parish originally came to be taken as the unit for rating purposes; it remained so until the Poor Law Amendment Act of 1834 constituted the Poor Law Unions by grouping parishes and providing a more efficient method of administering poor relief. The expenses of poor law administration of the various parishes within the Union became a common charge upon the whole Union, the individual parishes contributing according to the average cost of their own poor as ascertained from time to time. This cost was by the Union Chargeability Act, 1865, converted into a common charge, based upon the rateable value of each parish. Unfortunately, these Unions were formed without regard to the boundaries of counties, boroughs, or even parishes. Hence we are at the present time, in seeking to bring about any simplification or reforms of our existing system, constantly brought up sharp against difficulties of areas and boundaries, which, having been established and recognised for many years, are not readily and rapidly set aside. I may mention that there is one Union which has its parishes divided amongst no less than five counties, two Unions overlap into four counties, 26 Unions overlap into three counties, and 161 Unions have their component parts in two counties, whilst 457 Unions are wholly in one county.

The Parochial Assessments Act, 1836, defined the standard by which the value of properties for rating purposes should be determined. The "net annual value" was defined as the rent at which an hereditament might reasonably be expected to let, deducting therefrom the average annual cost of repairs and insurance. Since the date of the passing of the Act a number of properties have come into being, such as railways, tramways, waterworks, electric lighting, cables, telephones, and the like, to which the terms of the Act are hardly applicable, as nobody would wish to rent such properties for a

term or annually, and where these properties pass through a number of parishes the difficulty of estimating the rent of the portion passing through a particular parish is extreme.

Hitherto I have confined my observations to the areas of the parish and the Poor Law Union. From the year 1739 onwards the county rate has been assessed by the county justices (and their successors, the County Council) on parishes in proportion to the total value of the rateable property in each parish. This acted as a direct inducement to parishes to undervalue themselves, because they then paid less than their neighbours who set a higher value on themselves. The Act of 1815, however, empowered the justices, whenever they were discontented with the overseers' valuation, to make inquiry and to appoint valuers to assist them (the justices) in fixing the true rateable value of any particular parish.

The Union Assessment Committee was established by an Act of 1862, with the object of securing supervision over the valuation of properties in the several parishes of a Union. To some extent this result has been achieved, and uniformity has been more nearly approached, but there is still no uniform system adopted by the authorities of the different Unions, and therefore where a borough or urban district is situated in more than one Union, there is no certainty of levying an equal borough or district rate. In the same way, as a county comprises several Unions, each of which may act upon different lines, there is no certainty of levying an equal county rate.

I.—SYSTEMS OF VALUATION.

In the Parish.—For the purpose of ascertaining the value of rateable properties in a parish, the overseers were required by the Union Assessment Committee Act, 1862, to make a list called a valuation list of all rateable hereditaments in each parish showing their gross estimated rental, and also their rateable value; and from time to time these original lists have to be supplemented with lists, showing the additions to or alterations of such hereditaments. A new valuation list can also be made in substitution for the existing list. There is, however, no fixed period for making such new valuation list, and it is probable that in many cases no such lists have been made since 1863, when the original list was first settled. Appeals are given to the individual against the parish valuation list, and to the overseers of a parish against the valuation list of any other parish in the Union. The overseers consider the demands made upon them by the various spending authorities, and then calculate how much in the £ will be sufficient to produce the sum required. The rate book is then compiled, from which the demand notes are prepared. One of the tests of liability to rating is occupation, but, in certain cases, the owners of dwellings of small value can be assessed in respect of their property, and upon their undertaking to pay the rates in respect of such property, they receive a percentage reduction,

which varies in different localities and in different circumstances. This is the system known as "compounding."

In the County.—The coffers of the County Council are partly supplied by grants from the Imperial Exchequer, but as these are not sufficient to meet all the demands made upon the County Council for administrative purposes, the deficiency has to be made good out of local sources, and for this purpose the County Council are empowered to call upon the overseers of every parish to make and levy a county rate. The basis for determining the contribution of each parish is fixed by an Assessment Committee of the County Council—commonly called the County Rate Basis Committee—and contains only the assessable value of each parish, not of each hereditament. This Committee may take the valuation list of the Union, or may make their own valuation, or may take the valuation of the Commissioners of Taxes. An appeal is given against the county rate basis as against the union valuation list. When the county rate basis has been settled, the Finance Committee calculate the contribution required, and the County Council strikes a rate, and issues a precept to the Guardians of the several Unions within the county, but in certain cases the precept goes direct to the overseers of the parish. The valuation and levy of borough rates are carried out practically upon the same lines as those of the county rates. The system of valuation and collection of rates in the metropolis differs in many particulars from those just described, *e.g.*, in the quinquennial valuation, in having a maximum rate of deductions, and in the equalisation of rates as between parish and parish. My observations, however, generally refer to England and Wales, excluding the metropolis.

For Income Tax.—Having dealt with the systems of valuation for the poor rate and for the county rate, there remain two more systems of valuation to be considered. The valuation of property for income tax purposes is in the hands of Local Commissioners appointed from the body of Land Tax Commissioners. The Local Commissioners employ assessors, who procure the information upon which the assessments to Schedule A are made up. A new valuation is made every five years. By the Finance Act, 1894, an allowance in respect of repairs of one-eighth in the case of lands (including farmhouses and buildings) is authorised, and in the case of houses and buildings where the owner is occupier, the allowance is one-sixth. Assessments for inhabited house duty are made by the same authorities and in the same manner, but no deduction is allowed for repairs.

For Land Tax.—For this purpose each parish or place of separate assessment is practically an independent area, with a fixed sum, which the Land Tax Commissioners are charged with the duty of raising every year, by a yearly assessment upon the properties in the parish which have not been exonerated. The Finance Act of 1896 gave some relief by enacting that the rate was not to exceed a shilling in the £ on the income tax assessment, the limit previously having been 4s. in the £.

I have now concluded my sketch of the different systems of valuation which obtain in England outside the metropolitan area. They are five, namely, one for the poor rate, one for the county rate, one for the borough rate, one for the income tax, and one for the land tax, and it is possible that all five may be applicable and in force in respect of the lands of a single parish. At all events, whether there be many parishes or few so happily blessed, it is clear that there is neither uniformity, equality, simplicity, nor economy, and all these four qualities are very desirable, if they are obtainable. Public opinion, I think, considers that the time has now come when one single Valuation Authority should be established, and one system for arriving at valuation for the whole rating area over which common rates are to be raised. When this is arrived at, all rates and taxes, whether local or Imperial, should be levied and charged upon that valuation. Furthermore, it is very desirable that uniformity in valuation should be obtained, for at the present time, amongst the 1000 valuation authorities which exist, there is no uniform system or scale for making deductions for arriving at the rateable values of various classes of properties, the amounts allowed frequently varying to a considerable extent. Again, there is no uniform system of compounding adopted. There is no guarantee that Union Assessment Committees are fairly representative of all interests within their areas. It therefore sometimes happens that particular classes of property are over valued, whilst other classes, in which the members of the Assessment Authority are interested, get off cheap. As between parishes and parishes, unions and unions, counties and counties there is no uniformity in the system adopted for valuation. Where separate valuations are made by different authorities in the same area, if the valuations are identical, trouble and expense have been incurred to no purpose—if the valuations are not identical one or other of them must be wrong. And lastly, without in any way disparaging the capacity of the Courts of Petty Sessions to decide the difficult points of rating appeals which are brought before them, it is obvious that the members of those Courts have not necessarily those special qualifications either of law or of experience to enable them to arrive at the correct decision; and there is no means of obtaining a uniformity of decisions from the different Courts of Petty Sessions throughout the country.

The question then remains: What is to be the Valuation Authority? Or in other words, what is to be the area of equal treatment? The county is one of the oldest of our territorial divisions, and it has at the same time one of our most modern administrative devices in the shape of the County Councils. They are the creations of the Local Government Act, 1888, and have been distinctly successful in carrying out the important work with which they are charged. Now there are two sorts of counties—the geographical county and the administrative county, by which latter term I intend to include the county boroughs (such as Birmingham,

Newcastle-on-Tyne, Liverpool, &c.), and cases in which geographical counties are divided into two or more divisions for the purposes of separate administration (such as East Suffolk and West Suffolk, the three divisions of Lincolnshire, and the like). As recommended in the First Report of the Royal Commission on Local Taxation, the administrative county should, in my judgment, be taken as the valuation area and the administrative County Council as the valuation authority, with a power for two or more administrative County Councils to combine, provided that they are within the same geographical county.¹ Such a valuation authority would have to work by means of committees, but uniformity amongst the committees would be obtained from the very fact that they were all committees of the one valuation authority. Upon such committees there would be placed members of the County Valuation Authority and representatives of the Boards of Guardians, Borough Councils, and Urban District Councils, together with a representative of the Inland Revenue authorities. These committees would be charged with the preparation of their several valuation lists, for which purpose they should employ skilled valuers. The valuation should take place quinquennially, as in the metropolis. An appeal should be given against such lists to any aggrieved person. The County Valuation Authority should finally pass such lists after having satisfied itself that the list was compiled upon proper principles, and that list would thereupon become the sole basis for the local rates and the Imperial taxes. This would ensure uniformity, which could be further obtained if the Legislature were to provide for the establishment of a maximum scale of deductions.

II—INCIDENCE ON REAL AND PERSONAL PROPERTY.

One of the most important issues connected with the whole subject of local taxation remains still for consideration, namely, whether real property pays an undue share of local taxation as compared with personal property. Sir Alfred Milner, when head of the Inland Revenue Department, stated before the Royal Commission on Agricultural Depression that the annual value of lands rateable for local purposes amounted to £49,918,740, and he put the annual value of other rateable property at £160,640,835, making the total value of rateable property £210,559,575. The non-rateable property he valued at £228,839,471.

According to those figures, therefore, the local rates fall exclusively on less than half of the property of the country subject to taxation—the strictly accurate percentage is 47·8 per cent., and the remaining 52·2 per cent. contributes nothing towards the local rates directly, but only indirectly through the Treasury subvention and payments

¹ The Local Taxation Committee of the Central Chamber of Agriculture reported, on May 16th, 1899, in favour of the alternative System of Valuation, proposed by Mr. T. H. Elliott, C.B., one of the Commissioners.

out of the Local Taxation Account. It will, I think, be generally admitted that the non-rateable property is increasing much more rapidly than the rateable property. Now what has Parliament done to rectify this adverse balance against rateable property? It has from time to time made grants for local expenditure direct from the revenue which would otherwise have been paid into the National Exchequer. It has intercepted certain funds which in the ordinary course of things would have been paid into the national coffers, and diverted them into the local coffers. These sums are derived from the Customs and Excise Duties on beer and spirits, from licenses, and from a share of the estate duty, and amount in all (I give the figures for 1899-1900) to £8,495,850 for England, out of which sum the amount of £1,330,621 is payable under the Agricultural Rates Act, 1896. Now it is contended, and I think it can be fairly contended, that so far as they go these grants are a recognition by Parliament of the injustice of placing the burden of local taxation on real property alone, and that the State has therefore conceded the principle for which agriculturists have long struggled.

It would be very interesting to trace in detail the history of the question of local taxation, which has occupied so large a share of the attention of Parliament since the Reform Act of 1832. In order to keep pace with the growth of local needs all over the country—such as better drainage and water supply, improved lighting and policing, better roads and streets, new municipal buildings, more efficient administration of the poor law and care of pauper lunatics, better primary education and housing of the working classes—there has been a constantly increasing expenditure to be met by local authorities; and, as a result thereof, a constantly increasing demand on their part for relief from the pressure of rates incidental to property out of the public or common purse, to which the whole community contributes. But the details of this history would occupy far too much space. I can only glance at the landmarks and pass on. In 1835, after enquiry by Lord Althorp's Committee, and upon their recommendation, Lord Melbourne's Government agreed to pay one-half of the expenses of prosecutions at Assizes and Quarter Sessions, and a certain fixed sum for meeting the cost of removal of convicted prisoners from local prisons. In 1846, doubtless as the result of the repeal of the Corn Laws, and as a compensation for the loss then sustained by the agricultural community, Sir R. Peel's Government undertook to place upon the State the whole cost of conducting criminal productions and of maintaining convicted prisoners; to pay half the cost of medical relief in England and Scotland; to provide salaries in Poor Law Schools, and to undertake the whole cost of the Irish Constabulary, instead of one-half the cost as heretofore.

Mr. Disraeli, however, was not satisfied with this concession, and at once began agitating for further concessions, but it was not until

1856 that Parliament provided that the State should defray one-fourth of the cost of the pay and clothing of the police force in the counties. From this time until 1875 there followed a series of Commissions and Committees, motions and resolutions, and Bills. The chief spokesmen were Mr. Goschen and Sir Massey Lopes, Chairman of the Local Taxation Committee from 1869-1874. But nothing substantial was done until 1875, when Sir Stafford Northcote carried a measure increasing the subventions out of the Exchequer for local purposes. The State undertook to provide 4s. weekly per head on account of pauper lunatics, and half instead of a quarter of the cost of the pay and clothing of the police in England and Scotland. These additional grants in aid amounted to about 1½ millions. Two years later Mr. Disraeli's Government passed the Prisons Act, relieving local authorities from having to provide prison accommodation, and transferring the prisons to the Home Office. In the years 1883 and 1884 resolutions in favour of further relief to local taxation were carried against Mr. Gladstone's Government, and finally in 1885 Sir M. Hicks-Beach moved and carried an amendment to Mr. Gladstone's Budget Bill, to the effect that no fresh taxation should be imposed upon realty until effect had been given to the two resolutions of 1883 and 1884, calling for further measures of relief to the ratepayers in respect of local charges imposed on them for national services. Sir M. Hicks-Beach's victory resulted in the resignation of Mr. Gladstone and his Government.

In 1887 Mr. Goschen, at that time Chancellor of the Exchequer, prepared and carried a measure for doubling the existing grant in aid of disturnpiked and main roads, thus raising the amount to £250,000. The years 1888 and 1890 witnessed a complete change in the system hitherto prevailing of grants in aid. They were discontinued, and in their places there were handed over to the newly-created local authorities the bulk of the Excise licences and one-half of the Probate Duty. The account at that time therefore stood thus:—

GRANTS IN AID DISCONTINUED.

Disturnpiked and main roads	£250,000
Poor law grants	290,000
Criminal prosecutions	145,000
Police	1,430,000
Pauper lunatics	485,000
Total	£2,600,000

EXCISE LICENCES HANDED OVER IN LIEU OF GRANTS IN AID.

Half the Probate Duty	£3,000,000
Additional beer or spirit duties	2,800,000
	1,043,000
Total	£6,243,000

This was a gain to the local ratepayers and *pro tanto* a loss to the Imperial taxpayer of £3,643,000. For the sake of brevity and clearness, I am only dealing with England and Wales. I have left Scotland and Ireland out of account because the system under which they received their relief was somewhat different. I ought also to add that the additional beer and spirit duties, when they were handed over to the local authorities, were to some extent ear-marked as being applicable to technical education, although this application was not made compulsory.

I now come to the last Act of relief, namely, the Agricultural Rates Act, 1896. This Act provided that agricultural land should be liable to pay only one-half the rates, and that the annual deficiency arising from such exemption, which was estimated at £1,560,000, should be made good by a further grant out of the estate duty derived from personality. This Act is only temporary, and expires next year. From the rough sketch which I have given it will at once be seen what drastic results have followed to the benefit of the local taxpayer from the acceptance by Parliament on several occasions of the principle of his plea for relief, but a few figures will make this appear even more clearly. The following is a comparison of the relief granted at different periods out of the Exchequer:—

In 1852 the sum paid was	£568,313
In 1872	1,146,092
In 1875	2,236,281
In 1885	3,388,999
In 1891	7,414,667
In 1895	7,314,169

It may now be interesting to take the same years just given, and to see what was the amount raised by rates in those years for local purposes by local authorities. The Table is as follows:—

1852, Rates raised amounted to	£9,917,000
1872	18,572,000
1875	22,477,000
1885	26,162,000
1891	28,599,000
1895	32,229,000

Having now got the two Tables, we can compare them, and see what are the proportions per cent. raised by rates and raised by Parliament for local purposes in the same series of years:—

	Per cent.		Per cent.
1852, Rates paid	95	Parliament	5
1872	94		6
1875	91		9
1885	89		11
1891	79		21
1895	82		18

The conclusion of the whole matter can be briefly stated thus, that in the last fifty years, whilst rates have increased three-fold, the relief from Imperial sources has increased nine-fold. There is an important point which it is very necessary to bear in mind when considering the respective contributions of realty and personalty towards the expenses of local administration, and it is this, that whilst personalty is free from the burden of the rates, realty has to bear its share of the Imperial taxation as well as the whole burden of the rates. And, therefore, whenever additional taxation is imposed for the purpose of giving relief to realty from local taxation, that additional taxation falls to some extent upon the very realty which you are seeking to relieve. Sir E. Hamilton, of the Treasury, has compiled and published a series of tables dealing with this matter. They are too complicated for my present purpose, but here is one which illustrates the meaning of what I have just stated:—

TAXES FALLING ON PERSONS IN RESPECT OF REAL PROPERTY.

Levied by Parliament	£13,209,000
Levied by Local Authorities... ..	19,930,000
Total	33,139,000

TAXES FALLING ON PERSONS IN RESPECT OF PERSONAL PROPERTY.

Levied by Parliament	£19,801,000
Levied by Local Authorities... ..	3,348,000
Total	23,149,000
showing a balance against real property of about £10,000,000.	

Another incidental issue is the question whether agricultural land does not pay an unfair proportion as compared with other realty. The Agricultural Rates Act, 1896, has, of course, eased this burden to a considerable extent, but the Agricultural Rates Act is only a temporary one, it expires next year, and unless it be renewed, or unless the opportunity be taken of dealing comprehensively with the whole question of local taxation, agricultural land will again find itself burdened with the incubus which it shook off five years ago. The reply which is generally made to the demand for a relief to agricultural land is that the burden imposed upon it is an hereditary one—and it is maintained that the poor rates, the county rates, and the highway rates form an hereditary burden, subject to which land has been bought, sold, and inherited during a long series of years.

There might be some ground for arguing that rates were an hereditary burden on realty if Parliament had ever so decided, but Parliament has never so decided. The Act of Elizabeth which I have already cited uses the words "every inhabitant"—the exact words of the statute are that overseers are to "raise weekly or otherwise by taxation of every inhabitant, parson, vicar, and other and of

every occupier of lands, houses, tithes, coalmines, or saleable underwoods in the parish in such competent sums of money as they shall think fit." The complaint which is made is that whilst every occupier of lands, houses, &c., is brought within the mischief of this Act, no meaning is given to the words "every inhabitant." I have already explained that until 1840 some effect was given to the Act, because there was an hereditary burden upon stock-in-trade, but since that date stock-in-trade has been released from its obligations.

Here is an instance which was given in evidence before the Royal Commission on Local Taxation. It comes from a Cheshire farmer. He says:—"I am rated at £494 on a farm of 245 acres. My profits last year were less than £200. My neighbours, Messrs. R—, are large corn millers with about £4000 worth of modern milling machinery. They are rated at £537. Their income is about £1000 a year. My other neighbours are T— and Co., ironfounders and water engineers, with a business of great magnitude, and a turnover of not less than £60,000 a year. Works, including valuable machinery of all sorts, assessed at £218." Here is another case also from Cheshire. A farmer occupies a farm of 218 acres of a rateable value of £360. He pays a rate in the £ of 2s. 4d., the total amount he pays to the rates is £42, and his profit or income is £250. His neighbour, an urban tradesman, occupies a shop with a rateable value of £45, the rate in the £ being 4s. 2d.; the total amount he pays to rates is £9 7s. 6d., while his profit or income is £400. The following is another concrete example which was furnished by Sir Richard Paget as Chairman of the Local Taxation Committee in a Representation which the Committee made to the Chancellor of the Exchequer on March 12th, 1895. The rates of a yeoman farmer ("A"), owning and occupying land, house, and premises of the rateable value of £300 per annum and paying the average rural rate of 2s. 3d., amount to £33 15s. The rates of a tradesman ("B"), having a capital equal to that possessed by ("A"), and owning and occupying shop, house, and premises of the rateable value of £30 per annum, and paying the average urban rate of 4s., amount to £6. In this illustration, although "B's" rates are 4s. in the £ as compared with "A's" rates of 2s. 3d., "A" pays more than five times as much as "B." If "B" were a tradesman resident in the same parish as "A," his rates would only amount to £3 7s. 6d.

It would, I think, be easy to multiply instances of this nature, but the difficulty is to know upon what principle the inequalities which they exhibit can be remedied. On the assumption that the rateable values of the lands and buildings fairly represent their letting value, how are we to increase the burden of the rates on one man and lighten it to the other? Logically the only solution of the difficulty would be by making "income" the test. But many men, probably most men, derive their incomes from undertakings carried on at a distance from where they reside. Where are they to pay the rates? Where they reside, or where their undertakings are carried on?

Many again derive their incomes from investments in funds, railways, mines, &c, in many counties and in many countries. Where are they to pay their rates? These questions seem to me to be unanswerable, and to show that it would be impossible to levy an income tax locally to be spent locally. But supposing the income tax were levied universally and then distributed locally. This has been the suggestion of some authorities, and would in effect be an abolition of local taxation altogether, at least so far as the rates of an Imperial character are concerned.

Mr. Pretyman, the present Civil Lord of the Admiralty, who is an authority upon questions of local taxation, placed the case very clearly before the Royal Commission somewhat in this manner. Land is visible property; it is easy to tax, and therefore it has been taxed. When this form of taxation was imposed, the cost of eliminating personality, and not making it subject to rating—personality being at that time so very small in the country—was infinitely less than would have been the difficulty of trying to include personality in rating. Now the position is entirely reversed. The position of personality in regard to the proportionate wealth of the country has so enormously increased, whereas the position of land has so enormously decreased, that the boot is on the other leg. Therefore, though to rate personality on an Imperial basis and to distribute the money so raised to local centres would raise the very difficult question of an Imperial poor rate, and would open the door to certain evils, yet the evil to be there encountered would be infinitely less than the present evil, namely, that land is being thrown out of cultivation, and that living upon the land is impossible on account of burdens which ought to be borne and shared by other people. The only tax which appears to be a really fair one is a tax upon income, for it can adjust itself to the condition of the moment. For if from any outside circumstance that income is reduced, the tax is proportionately reduced too, and if the income for any reason is increased, the tax is also proportionately increased; whereas if you place a tax upon some particular entity, such as a piece of land or a particular business, the profits, from reasons absolutely outside the control either of the Government who imposed the tax or of the person who is running that industry or land—the profits, which, after all, are the taxable entity, absolutely disappear, or they may, on the other hand, enormously increase, and there is no change made in taxation to meet that increase, or to meet that decrease of capacity to pay. Our ancestors, when they originally imposed taxation, tried to impose it according to ability to pay; our taxes now upon land are not in proportion to the ability to pay at all, and the only method which seems a possible method of meeting the difficulty and of taxing upon ability to pay, is to tax upon income, and the only basis of taxing upon income is an Imperial basis.

The objection, however, to any such proposal is that you would have on an enormously exaggerated scale one authority raising the

money, namely the Imperial Government, and another authority, the Union or County Council, spending it. The central authority could have no check on the local authority. The local authority would have no inducement to be economical, because they would say, "Oh! it all comes out of the taxpayers' pockets!" and they would have every inducement to extravagance, for they would then be able to say to their electorate, "See what a lot of Government money we have spent amongst you." The system would be impossible, at all events in the form in which I have stated it.

If "ability to pay" is not practical politics, and is not applicable as a criterion by which to arrive at a fair and just incidence of taxation, is there any other principle which can be made applicable? There is the principle of payment according to benefits received. The supporters of this principle urge that those who gain most from local taxation should pay most towards it. And, stated thus broadly, the principle seems incontrovertible; but I think that on closer examination it will be found to be impossible as a universally applicable principle. For what share would railways, and mines, and docks bear of many of the rates? None. Such properties are not benefited by the cost expended, for instance, on the maintenance of county buildings, reformatories, registration expenses, rivers pollution, small holdings, lunatic asylums, School Board rates, baths and wash-houses, and the relief of the poor.

From all these, therefore, and many other expenses, this valuable class of property would be exonerated. And if you push the principle to its uttermost lengths, and its real logical conclusion, you would have to exempt bachelors, spinsters, and childless persons from the School Board rate, the blind man from a lighting rate, the bed-ridden man from a highway or bridges rate, and so forth. This principle, therefore, like the former one, is incapable of being universally applied. It is at the present roughly applied, for the urban districts, which presumably derive more benefits from local administration than the rural districts, pay more in rates, and more rates are applicable to such districts than to purely rural ones. There is no doubt, of course, that the urban ratepayer pays more in the £ than the rural ratepayer. It was calculated that in 1890-1 the average rate in rural districts was 2s. 6d. in the £, whilst the rate in county boroughs was 4s. 6½d., in non-county boroughs 4s. 4½d., and in other urban districts 3s. 11d. But if the urban ratepayer pays a higher rate he also obtains many benefits which are unknown to the rural ratepayer, and a considerable portion of the urban rate goes to pay the interest upon loans incurred for remunerative objects from which he derives a benefit. The principle is also applied in the system of grading or classification of rates, namely, under the Agricultural Rating Act of 1896, agricultural land is only rated at half its assessable value; again, under the Lighting and Watching Act of 1833, owners and occupiers of property other than land pay a rate three times greater than that at which owners and occupiers of

land are rated. This Act—the Lighting and Watching Act—is the first example of a general Act which established the grading principle, and it is noticeable that it should so far have favoured land as to assess it at only $33\frac{1}{2}$ per cent. of its value for these purposes. Under the Public Health Act, 1875, agricultural land is only to be assessed at a quarter of its value for the purposes of the general district rate in urban districts, and in rural districts the purposes under the Public Health Act are divided into general and special expenses—general expenses get their full share of the rates from agricultural land, but for special expenses, such as sewers, water supply, allotments, common lodging-houses, &c., agricultural land is only rated at one-fourth.

These are some examples of grading and classification of the assessed properties, and there is no reason, except that of complexity, why this principle should not be further extended as new rates come to be imposed. But the rates themselves might be classified. For instance, there are certain matters—lunatics, police, education, the maintenance of the poor, and so on—which are clearly matters of national importance. The farmer is not more concerned to maintain or pay for them than the miller or the brewer; all are equally interested in their proper administration and support; but there are many matters which are of purely local importance or interest, such as fish conservancy, rivers pollution, sewers, and so forth, where the locality and not the county at large is interested.

The solution, if solution is to be found, lies, I believe, in a further development of the system of grading or classification, first of all by fixing certain rates as being of national importance, and making the ratepayer pay for them by a further allotment to the County Councils of certain taxes or licenses; and, secondly, by a further grading of various properties according to the amount of benefit derived by those properties from the services rendered.

I must now bring these observations to a conclusion. I have shown how it is possible to simplify our present complicated system of valuation. I have traced the history of the law of rating from the time of Elizabeth to that of Victoria. I have shown the gradual and somewhat reluctant assent of Parliament to charge the general taxpayer with a share of the cost of local administration; I have pointed out the principles which, although fair and just in themselves, cannot be made applicable to the matter in hand, owing to the difficulties of working them, and to the undesirable results which would ensue. I have indicated that pending the result of the inquiry by the Royal Commission on Local Taxation, still sitting, the only course seems to be to continue, by a process of grading or classification, to afford to land as compared with personality, to give to the local ratepayer as compared with the Imperial taxpayer, that just and fair treatment which it is the boast of our Constitution never to deny.

32390

**END OF
TITLE**